

SENATE BILL 2058
By Cooper

AN ACT to amend Tennessee Code Annotated, Title 56, relative to
licensing requirements and limited license for rental
companies.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1.

(a) Rental companies are not and have never been engaged in the insurance business. Nothing herein shall be construed to create any rights, claims or causes of action for conduct prior to the effective date of this section.

(b) No license as an insurer, insurance agent, insurance broker, insurance producer, surplus lines insurance broker or limited licensee shall be required of rental companies and their officers or employees which offer the following coverages in connection with the rental of motor vehicles at rental offices or through advance option selection in master rental agreements:

(1) Personal accident insurance covering the risks of travel, including accident and health insurance that provides coverage to renters and other rental vehicle occupants for accidental death or dismemberment and for medical expenses resulting from an accident that occurs during the rental period; and

(2) Supplemental liability insurance (which may include uninsured and underinsured motorist coverage whether offered separately or in

800000001

80000001

009461

00946117

combination with other liability insurance) that provides coverage to renters and other authorized drivers of rental vehicles for liability arising from the operation of the rental vehicle; and

(3) Personal effects insurance that provides coverage to renters and other vehicle occupants for the loss of, or damage to, personal effects that occurs during the rental period; and

(4) Roadside assistance and emergency sickness protection programs; and

(5) Any other coverage which a rental company offers in connection with and incidental to the rental of vehicles.

SECTION 2. As used herein:

(1) "Rental agreement" shall mean any written agreement setting forth the terms and conditions governing the use of a vehicle provided by the rental company for rental or lease.

(2) "Rental company" shall mean any person or entity in the business of providing vehicles to the public under a rental agreement for a period not to exceed ninety (90) days.

(3) "Renter" shall mean any person obtaining the use of a vehicle from a rental company under the terms of a rental agreement for a period not to exceed ninety (90) days.

(4) "Vehicle" shall mean a motor vehicle of the private passenger type, including passenger vans, minivans, sport utility and pick-up trucks, and of the cargo type, including cargo vans and trucks with gross vehicle weight of less than twenty-six thousand (26,000) pounds and which do not require the operator to possess a commercial drivers license.

SECTION 3.

(a) Limited license.

(1) As used in this section:

(A) "Limited licensee" means a person or entity authorized to sell certain coverages relating to the rental of vehicles pursuant to the provisions of this section.

(B) "Rental agreement" means any written agreement setting forth the terms and conditions governing the use of a vehicle provided by the rental company for rental or lease.

(C) "Rental company" means any person or entity in the business of offering vehicles to the public.

(D) "Renter" means any person obtaining the use of a vehicle from a rental company under the terms of a rental agreement.

(E) "Vehicle" means a motor vehicle of the private passenger type including passenger vans, minivans, sport utility or pick-up trucks and of the cargo type, including cargo vans and trucks with a gross vehicle weight of less than twenty-six thousand (26,000) pounds and which do not require the operator to possess a commercial drivers license.

(2) The commissioner may issue to a rental company that has complied with the requirements of this section, a limited license authorizing the limited licensee to act as agent, with reference to the offer or sale of insurance in connection with the rental of vehicles, of any insurer authorized to write such kinds of insurance in this state.

(3) The prerequisites for limited license insurance under this section are the filing with the commissioner of the following:

(A) A written application for a limited license, signed by an officer or agent of the applicant, in such form and containing such information, as the commissioner may prescribe; and

(B) A certificate by the insurer that is to be named in such limited license, stating that the named applicant is to act as its insurance agent for this limited purpose and that the insurer will appoint such applicant to act as the agent in reference to insurance as is permitted by this section, if the limited license applied for is issued by the commissioner. Such certificate shall be attested to by an officer or managing agent of such insurer and affirmed as true under the penalties of perjury.

(4) In the event that any provision of this section is violated by a limited licensee, the commissioner may:

(A) After notice and a hearing, revoke or suspend a limited license issued under this section; or

(B) After notice and hearing, impose such other penalties, including suspending the issuance of insurance at specific rental locations where violations of this section have occurred.

(5) The rental company licensed pursuant to subsection (2) of this section may act as agent only in connection with the rental of vehicles, whether at the rental office or by pre-selection of coverage in a master rental agreement, to transact business in any of the following categories:

(A) Personal accident insurance covering the risks of travel, including accident and health insurance that provides coverage to renters and other rental vehicle occupants for accidental death or dismemberment and reimbursement for medical expenses resulting from an accident that occurs during the rental period; and

(B) Liability insurance (including uninsured and underinsured motorist coverage whether offered separately or in combination with other liability insurance) that provides coverage to renters and other authorized drivers of rental vehicles for liability arising from the operation of the rental vehicle; and

(C) Personal effects insurance that provides coverage to renters and other vehicle occupants for the loss of, or damage to, personal effects that occurs during the rental period; and

(D) Roadside assistance and emergency sickness protection programs; and

(E) Any other coverage that a rental company offers in connection with and incidental to the rental of vehicles.

(6) No insurance may be issued by a limited licensee pursuant to this section unless:

(A) The rental period of the rental agreement does not exceed ninety (90) consecutive days; and

(B) At every rental location where rental agreements are executed, brochures or other written materials are readily available to the prospective renter that:

(i) Summarize clearly and correctly, the material terms of insurance coverage offered to renters, including the identity of the insurer;

(ii) Disclose that these policies offered by the rental company may provide a duplication of coverage already provided by a renter's personal automobile insurance policy, homeowner's

insurance policy, personal liability insurance policy, or other source of coverage;

(iii) State that the purchase by the renter of the kinds of insurance specified in this section is not required in order to rent a vehicle; and

(iv) Describe the process for filing a claim in the event the renter elects to purchase coverage and in the event of a claim.

(C) Evidence of coverage on the face of the rental agreement is disclosed to every renter who elects to purchase such coverage.

(7) Any limited license issued under this section shall also authorize any employee of the licensee who, pursuant to this section, has received training to act individually on behalf, and under the supervision of, the licensee with respect to the kinds of coverage specified in this section.

(8) Each rental company licensed pursuant to this section shall conduct a training program in which employees being trained shall receive basic instruction about the kinds of insurance specified in this section and offered for purchase by prospective renters of rental vehicles.

(9) Notwithstanding any other provision of this section or any rule adopted by the commissioner, a limited licensee pursuant to this section shall not be required to treat monies collected from renters purchasing such insurance when renting vehicles as funds received in a fiduciary capacity, provided that:

(A) The insurer represented by the limited licensee has consented in writing, signed by the insurer's officer, that premiums need not be segregated from funds received by the rental company on account of vehicle rental; and

(B) The charges for coverage shall be itemized and be ancillary to a rental transaction. The sale of insurance not in conjunction with a rental transaction shall not be permitted.

(10) No limited licensee under this section shall advertise, represent, or otherwise hold itself or any of its employees out as licensed insurance agents or brokers.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.